

STATE OF IOWA
DEPARTMENT OF COMMERCE
UTILITIES BOARD

IN RE: AQUILA, INC., d/b/a AQUILA NETWORKS	DOCKET NOS. WRU-04-35-225 SPU-04-18
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**ORDER DOCKETING REQUEST FOR EXPEDITED WAIVER
OR, IN THE ALTERNATIVE, APPLICATION FOR APPROVAL OF
PROPOSAL FOR REORGANIZATION**

(Issued July 23, 2004)

On July 19, 2004, Aquila, Inc., d/b/a Aquila Networks (Aquila), filed a request for expedited waiver of the provisions of 199 IAC Chapter 32 to permit Aquila to proceed with an issuance of up to \$700 million of securities. The securities to be issued will be limited to (1) unsecured long-term debt securities that will be converted into shares of common stock of Aquila, known as mandatory convertible securities, and (2) shares of common stock of Aquila, separate and apart from the mandatory convertible securities. The waiver would allow Aquila flexibility to access the capital market when necessary and when conditions are advantageous.

Aquila states that it will abide by the following conditions if the expedited waiver is granted.

1. Aquila will submit a written report to the Board by letter when mandatory convertible securities or shares of common stock are issued, pursuant to the request. The written report will inform the Board of the amount and type of securities sold, identify the terms and conditions of the securities

sold, and provide information concerning the cost incurred with issuing the securities sold. The report will be promptly submitted following the closing and issuance of each sale of securities authorized pursuant to the request for waiver.

2. Aquila will use the proceeds from the issuance of the mandatory convertible securities to reduce or replace existing liabilities.

3. Aquila will not issue the securities unless the issuance, in the aggregate, results in a reduction to Aquila's interest expense or liability costs (to the extent cash proceeds are used to reduce or replace existing liabilities rather than debt).

4. Aquila will use the proceeds from the issuance of common equity to reduce liabilities or to maintain required working capital.

Aquila requests the Board grant the waiver on an expedited basis on or before August 18, 2004.

Board rule 199 IAC 32.8 allows a public utility to file a request for waiver of the filing requirements of chapter 32. If the Board does not grant the waiver request, Aquila asks, in the alternative, that the Board approve a proposal for reorganization, which includes the proposed issuance of securities. Aquila filed the information required by chapter 32 with the proposed reorganization.

In order to address the request for expedited consideration of the waiver request, the Board will docket the waiver request and the proposed reorganization and establish a shortened time for filing answers and objections to the request.

Since Iowa Code § 476.77 requires the Board to issue an order within 90 days of the filing date, the Board will establish a tentative procedural schedule to ensure a timely consideration of the application if the Board denies the waiver request.

IT IS THEREFORE ORDERED:

1. The request for expedited waiver filed by Aquila, Inc., d/b/a Aquila Networks, on July 19, 2004, is docketed. The matter is identified as Docket No. WRU-04-35-225.

2. The application for approval of the proposal for reorganization filed by Aquila, Inc., d/b/a Aquila Networks, is docketed for further review. The application is identified as Docket No. SPU-04-18.

3. Applications to intervene in the waiver request or the application for approval of proposed reorganization shall be filed on or before July 30, 2004.

4. Answers and objections to the request for waiver shall be filed on or before July 30, 2004.

5. The following tentative procedural schedule is established:

a. The Consumer Advocate Division of the Department of Justice and any intervenors shall file prepared direct testimony, with the underlying workpapers and exhibits, on or before August 27, 2004. If a party references a data request in its prepared testimony, the data request shall be filed as an exhibit.

b. Aquila, Inc., d/b/a Aquila Networks, shall file rebuttal testimony, with underlying workpapers and exhibits, on or before September 10, 2004.

c. A hearing shall be held beginning at 9 a.m. on September 16, 2004, for the purpose of receiving testimony and the cross-examination of all testimony. The hearing shall be held in the Iowa Utilities Board Hearing Room, 350 Maple Street, Des Moines, Iowa. The parties shall appear one-half hour prior to the time of the hearing for the purpose of marking exhibits. Persons with disabilities requiring assistive services or devices to observe or participate should contact the Utilities Board at (515) 281-5256 in advance of the scheduled date to request that appropriate arrangements be made.

d. The parties may file simultaneous initial briefs on or before September 23, 2004.

6. In the absence of objection, all underlying workpapers shall become a part of the evidentiary record of these proceedings at the time the related testimony and exhibits are entered into the record.

UTILITIES BOARD

/s/ Mark O. Lambert

ATTEST:

/s/ Sharon Mayer
Executive Secretary, Assistant to

/s/ Elliott Smith

Dated at Des Moines, Iowa, this 23rd day of July, 2004.